

# W.W. Grainger, Inc.

Raymond James 39<sup>th</sup> Annual Institutional Investors Conference



As of March 6, 2018

# Safe Harbor Statement And Non-GAAP Financial Measures

## Safe Harbor Statement

All statements in this communication, other than those relating to historical facts, are “forward-looking statements.” These forward-looking statements are not guarantees of future performance and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such statements. These statements include, but are not limited to, statements about future strategic plans and future financial and operating results. Important factors that could cause actual results to differ materially from our expectations include, among others: higher product costs or other expenses; a major loss of customers; loss or disruption of source of supply; increased competitive pricing pressures; failure to develop or implement new technologies or business strategies; the implementation, timing and results of our strategic pricing initiatives and other responses to market pressures; the outcome of pending and future litigation or governmental or regulatory proceedings, including with respect to wage and hour, anti-bribery and corruption, environmental, advertising, privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; disruption of information technology or data security systems; general industry or market conditions; general global economic conditions; currency exchange rate fluctuations; market volatility; commodity price volatility; labor shortages; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; natural and other catastrophes; unanticipated weather conditions; loss of key members of management; our ability to operate, integrate and leverage acquired businesses; changes in credit ratings; changes in effective tax rates and other factors which can be found in our filings with the Securities and Exchange Commission, including our most recent periodic reports filed on Form 10-K and Form 10-Q, which are available on our Investor Relations website. Forward-looking statements are given only as of the date of this communication and we disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

## Non-GAAP Measures

Additional information relating to certain non-GAAP financial measures referred to in this communication is available in the appendix of this communication.

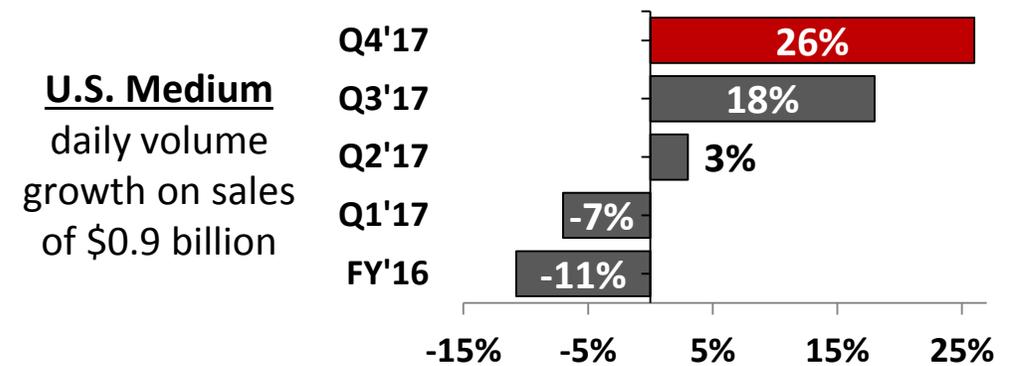
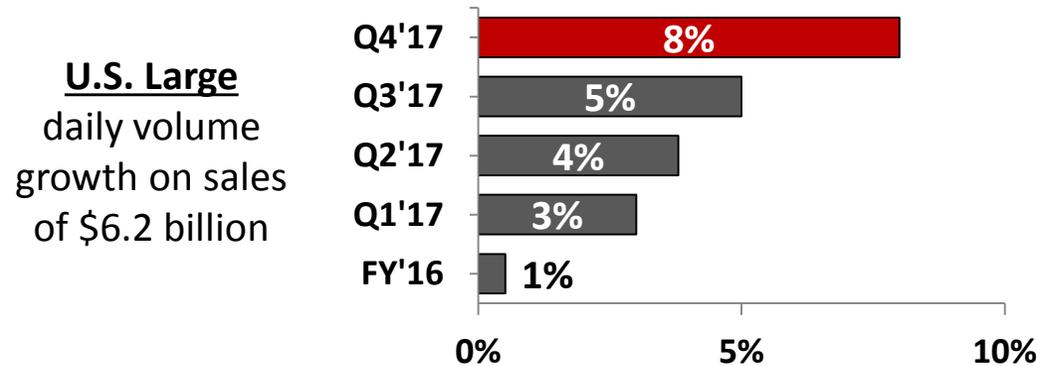
# Who We Are



- **Leading distributor of MRO products** for businesses
- Founded in 1927; **more than 90 years of service**
- **2017 revenues of \$10.4 billion**
- More than **3 million active customers**, average customer invoice >\$300
- **Differentiated value** for industrial customers through high-touch, multichannel model
- **Online-only model** for small businesses
- Strong balance sheet and cash flow generation

# 2017 Actions

- Executed U.S. pricing change, volume growth exceeding expectations



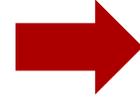
- Launched new digital capabilities in the U.S.
- Initiated Canada business model reset
- Streamlined international portfolio
- Announced productivity and cost take-out activities that will result in \$150 - \$210 million of savings over the next two years, net of digital investments

# 2018 Strategic Imperatives

Businesses		Creating Unique Value		
High-Touch Multichannel	U.S.	Complete pricing actions, grow mid-size business	Improve the end-to-end customer experience	Improve the cost structure
		Execute high-value sales and service solutions		
		Build advantaged digital capability		
	Canada	Execute complete business model reset		
	International	Drive profitable growth		
	Single Channel Online	Expand assortment		
	Innovate around customer acquisition			

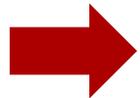
# U.S. Multichannel Value Proposition

## Advantaged MRO Solutions



- Broad assortment of high quality products
- Deep product expertise and customer knowledge
- Best in class digital experience

## Consultative Sales And Services Model



- Help customers manage inventory and reduce costs
- Solve most pressing customer problems
- Technical support and other services

## Flawless Order to Cash Process



- Order origination to best suit customer needs
- High proportion of orders stocked, shipped complete and delivered quickly
- No hassle invoicing and returns processes

# Canada Business Model Reset Underway

## Improve customer profitability

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- Implemented market-price increase in Q4
- Reworking contracts

## Optimize branch network

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- Closed 60 branches in 2017, closing additional 50+ branches in 2018
- Will keep 30-35 branches in high-density locations at end-state

## Develop North America Centers of Excellence

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- Align processes in the U.S. and Canada
- Reduce Canada in-country expense

## Improve order origination

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- Consolidating contact centers
- Improved eCommerce capabilities

## Optimize fulfillment cost and services

- Leveraging U.S. assortment to improve product offer
- Improved Canada stocked assortment and direct-to-customer capability
- Aligning metrics and processes with the U.S. supply chain

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